

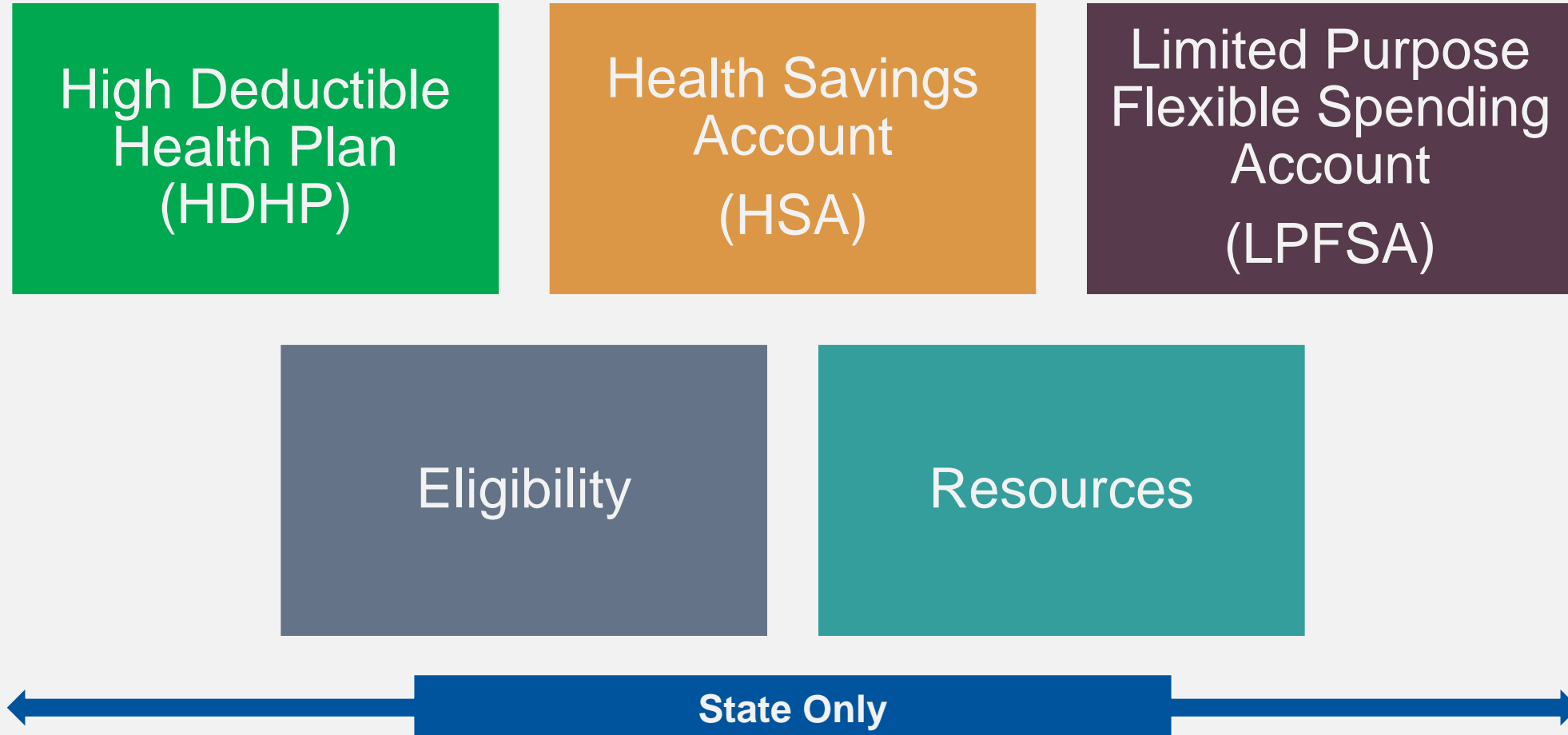
# HSA 101

**State Employer Training**  
It's Your Choice Health Savings Account

Plan Year 2018



# Overview



# Overview

Health Savings  
Account  
(HSA)

Eligibility

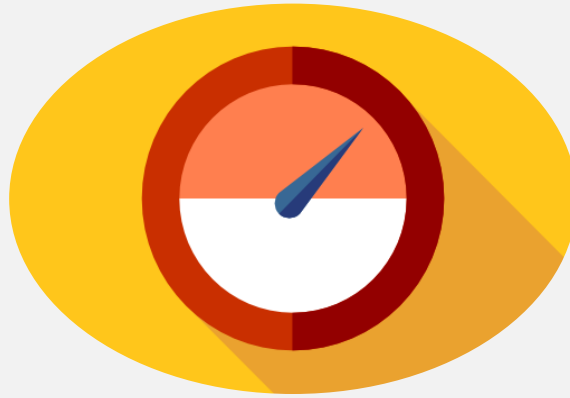
Resources

State Only

# What is an HDHP?



Lower annual  
premium



Higher annual  
deductible



Paired with the  
state-sponsored  
HSA

# What is an HSA?



Individually-owned,  
tax-advantaged  
account



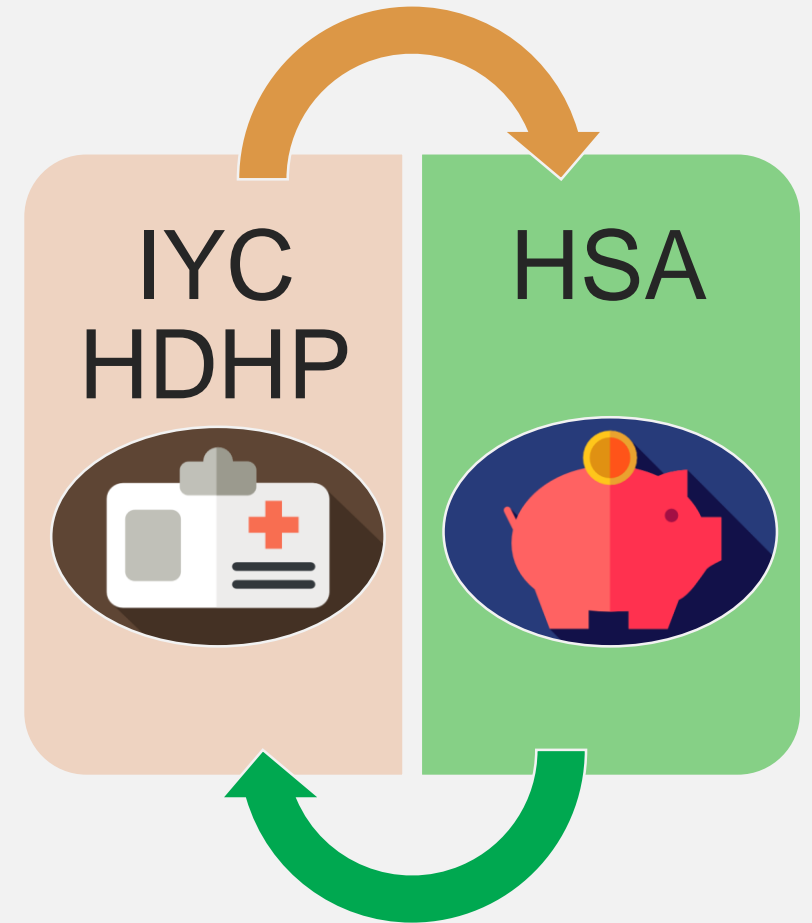
Pays for current  
and future medical  
expenses



Paired with an IYC  
HDHP

# Dual Enrollment Requirement

- State members electing the state-sponsored HSA must also enroll in an It's Your Choice (IYC) HDHP
- Intended to help members successfully plan for health care expenses



# Eligibility

## HSA 101

# Who is Eligible for HDHP & HSA?

- Those currently eligible for the State of Wisconsin Group Health Insurance Program





# Who is Not Eligible?

Short-term  
academic staff  
not in the WRS

Graduate  
assistants

Annuitants older  
than 65

Subscribers with  
disqualifying  
other coverage

# Coverage Requirements

- The **subscribing** member:
  - **Must** be covered by an IYC HDHP **and** enrolled in the state-sponsored HSA
  - **Cannot** have any other disqualifying coverage
  - **Must** notify their human resources/benefits office if they become enrolled in any other disqualifying coverage



# Permitted Other Coverage

Certain types of other insurance are permitted

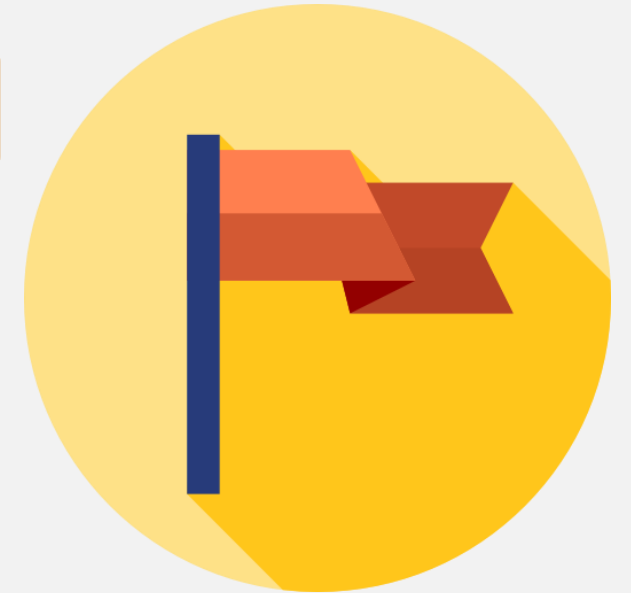
- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Accident/liability</li><li>• Dental care</li><li>• Vision care</li><li>• Long-term care</li><li>• Disability</li><li>• Workers compensation</li><li>• Hospitalization</li></ul> | <ul style="list-style-type: none"><li>• Specific disease or illness insurance, if it pays a specific dollar amount when policy is triggered</li><li>• Wellness and employee assistance programs (EAP) that do not pay significant benefits</li></ul> |
|---|--|



# Disqualifying Coverage

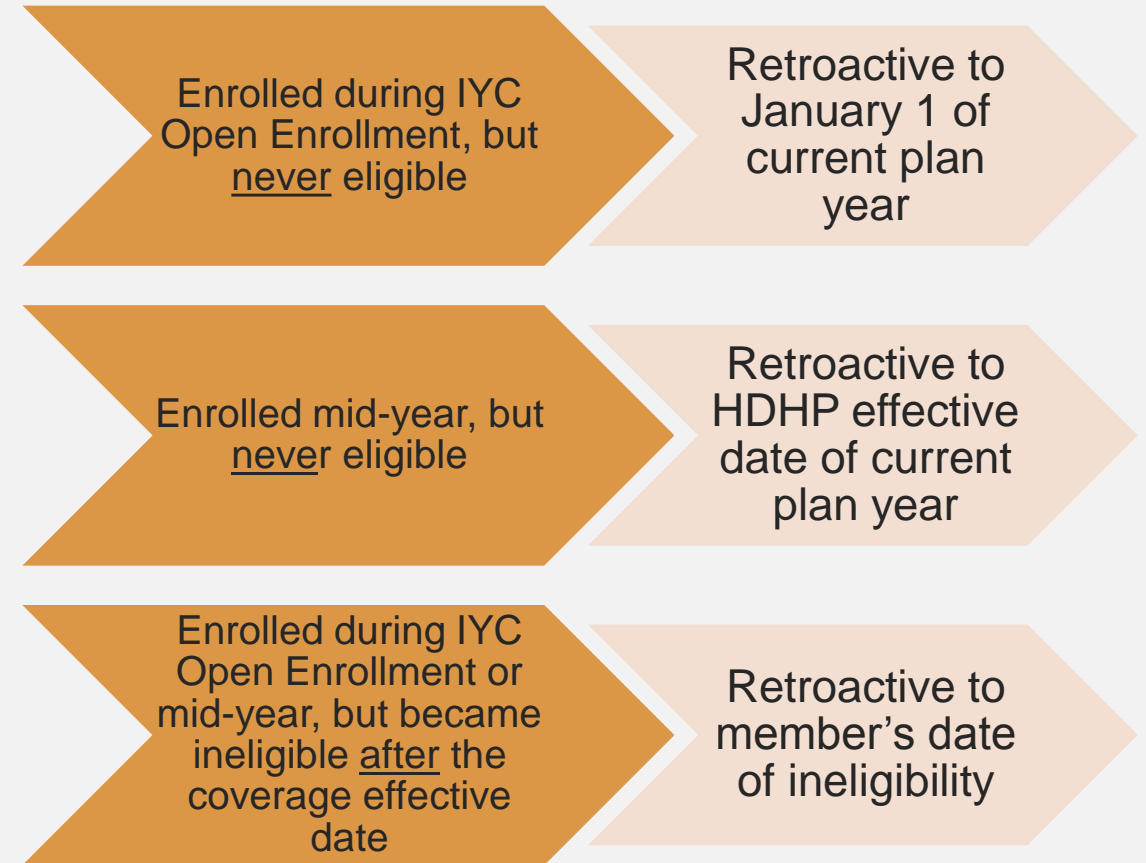
The **subscribing** member cannot:

- Be enrolled in Medicare (any part, including Part A or Part B)
- Be covered by TRICARE
- Have accessed Veterans Administration (VA) benefits in the past 90 days (except for benefits related to service connected disability)
- Be claimed as a dependent on another person's tax return (except spouse)
- Have a Health Care FSA (also applies to spouse)



# Disqualifying Coverage

- If the subscribing member is determined to be ineligible:
  - Coverage will be changed to the non-HDHP plan design with the same insurance carrier
  - Premiums and claims will be retroactively adjusted



# Disqualifying Coverage

- If the subscribing member is determined to be ineligible for an IYC HDHP, it will also have a significant impact on their HSA

HSA custodian  
returns all  
contributions

Member can be  
requested to repay  
employer  
contribution spent

Unpaid fund  
amount included  
as gross income  
and wages on W-2

# Annual Contribution Limits

## HSA 101

# Annual HSA Limits

| Annual HSA Limits                 | 2018    | 2017    |
|-----------------------------------|---------|---------|
| Individual HSA Contribution Limit | \$3,450 | \$3,400 |
| Family HSA Contribution Limit     | \$6,900 | \$6,750 |

- The Internal Revenue Service (IRS) determines annual contribution limits
- Contributions above the annual limit are subject to income tax and a penalty tax unless corrected prior to the annual federal tax filing deadline



# Employer Contributions

- Most active employees are eligible to receive an annual employer HSA contribution
- Up to \$750/individual or \$1,500/family for 2018
- Deposited to the member's HSA in equal amounts throughout the plan year
- Employer contributions belong to the member and are not taxable



# Additional Contributions

- Third parties, such as a spouse or parent, may also contribute to the HSA
- Contributions from all sources – employee, employer, and third parties – **must not** exceed the annual contribution limits



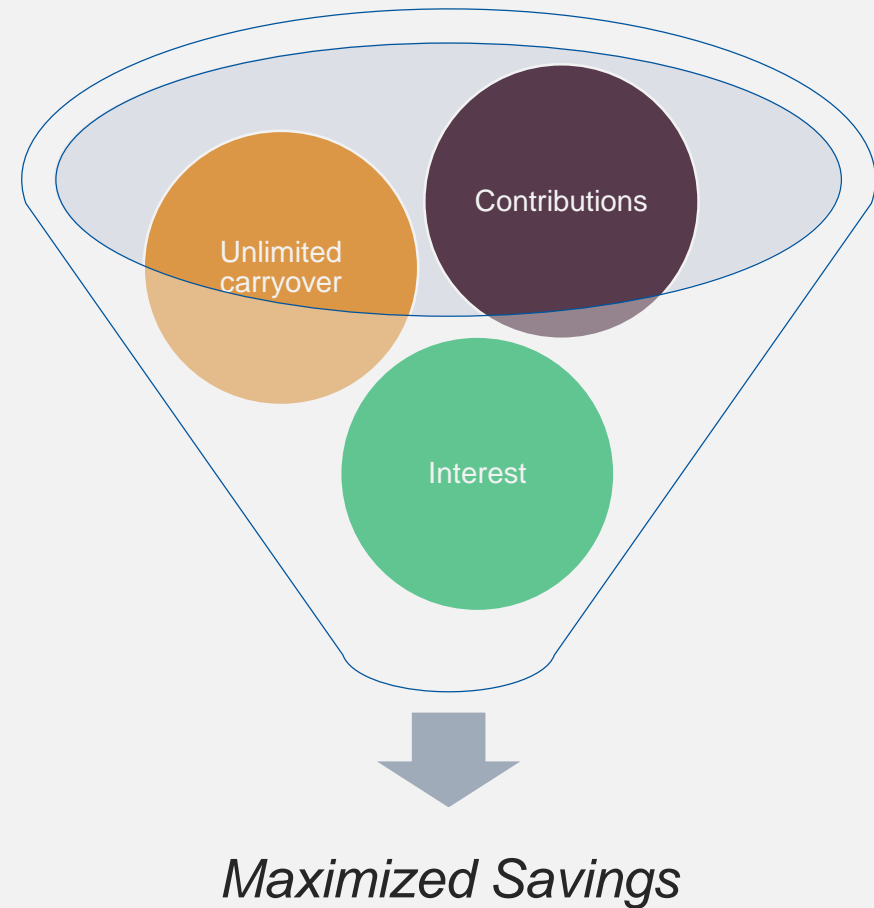
# Catch-Up Contributions

- Members age 55 – 65 may be eligible to make an HSA catch-up contribution of \$1,000 per year
- Catch-up contributions can be made anytime during the year
- If the subscribing member enrolls in Medicare mid-year, catch-up contributions should be pro-rated

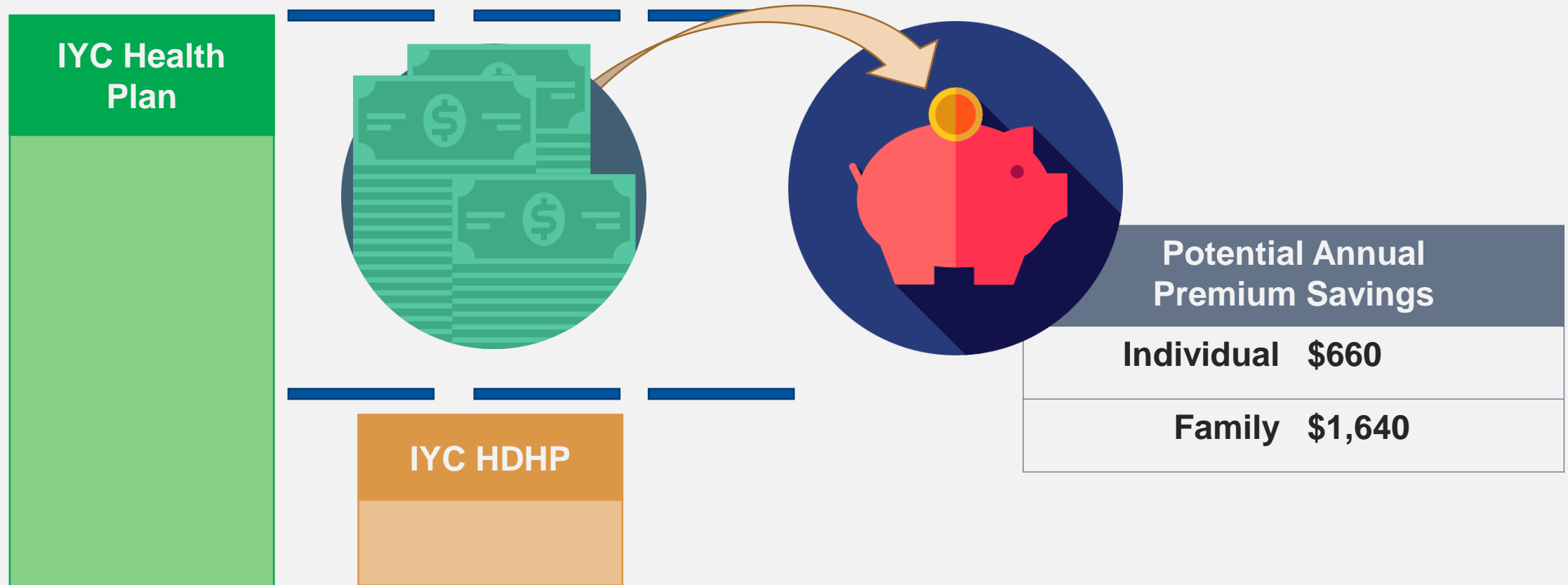


# Carryover & Interest

- HSA funds carry over year-to-year without forfeiture
- HSA funds grow over time
- Members begin earning interest from the first contribution
- Interest is compounded and credited monthly



# Maximize HSA Savings



# How It Works

## HSA 101

# How Does an HSA Work?

- Members contribute via payroll deduction or by online transfer from personal bank account
- Pre-tax contributions via payroll deduction may be changed at any time throughout the plan year
- Used to pay for eligible health care expenses
  - HSA debit card
  - Pay out of pocket and reimburse from HSA later



# Triple Tax Savings

1

- Pre-tax contributions reduce taxable income

2

- Tax-free interest and investment earnings

3

- Tax-free reimbursements for eligible health care expenses



# Account Portability

- Members own their HSA
- Funds remain even if members change jobs or retire
- If not enrolled in an IYC HDHP, no new contributions are allowed but funds can be withdrawn for eligible health care expenses
- Funds can be transferred to another HSA administrator



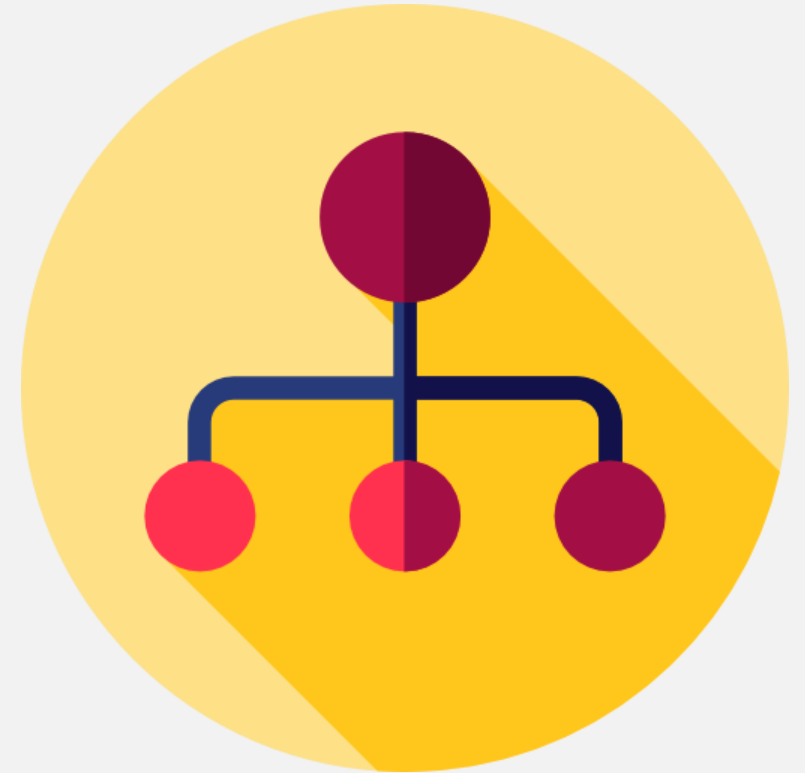
# Paying with the HSA

- Members can pay for eligible health care expenses with their HSA debit card or pay out of pocket
- Only pays for expenses incurred after HSA established
- Expenses can be incurred by member and eligible dependents



# Eligible Dependents

- Generally, an eligible dependent is:
  - The legally married spouse of the subscribing member, or
  - A dependent claimed by the subscribing member on their tax return
- Reimbursements issued in violation of eligible dependent guidelines will be taxed and could be subject to penalty



# Eligible Dependent Children

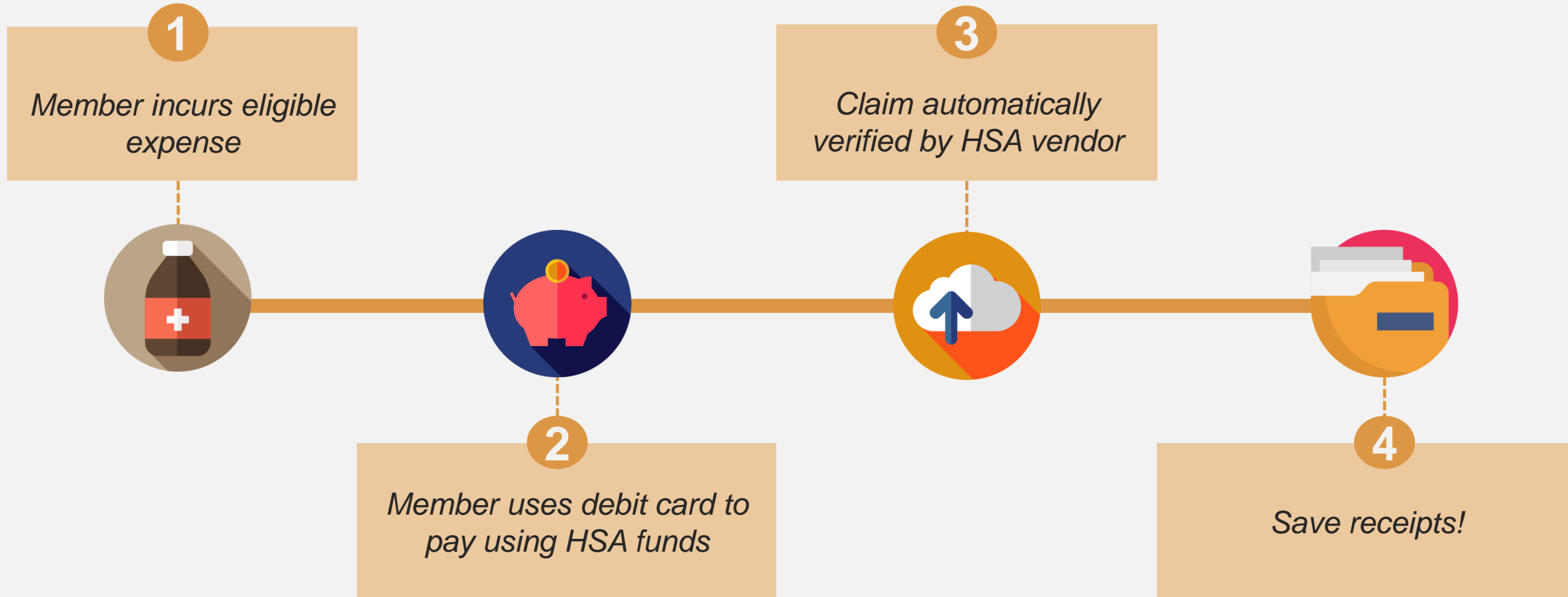
- The IRS defines a qualifying child dependent as follows:
  - Daughter, son, stepchild, sibling or stepsibling (or any descendant of these)
  - Has the same principal place of residence for more than one-half of the taxable year
  - **AND** not yet of age 19 (not yet age 24 if student)
  - **OR** permanently and totally disabled
- The subscribing member **must** be able to claim as a dependent on their tax return

# Eligible Dependent Children

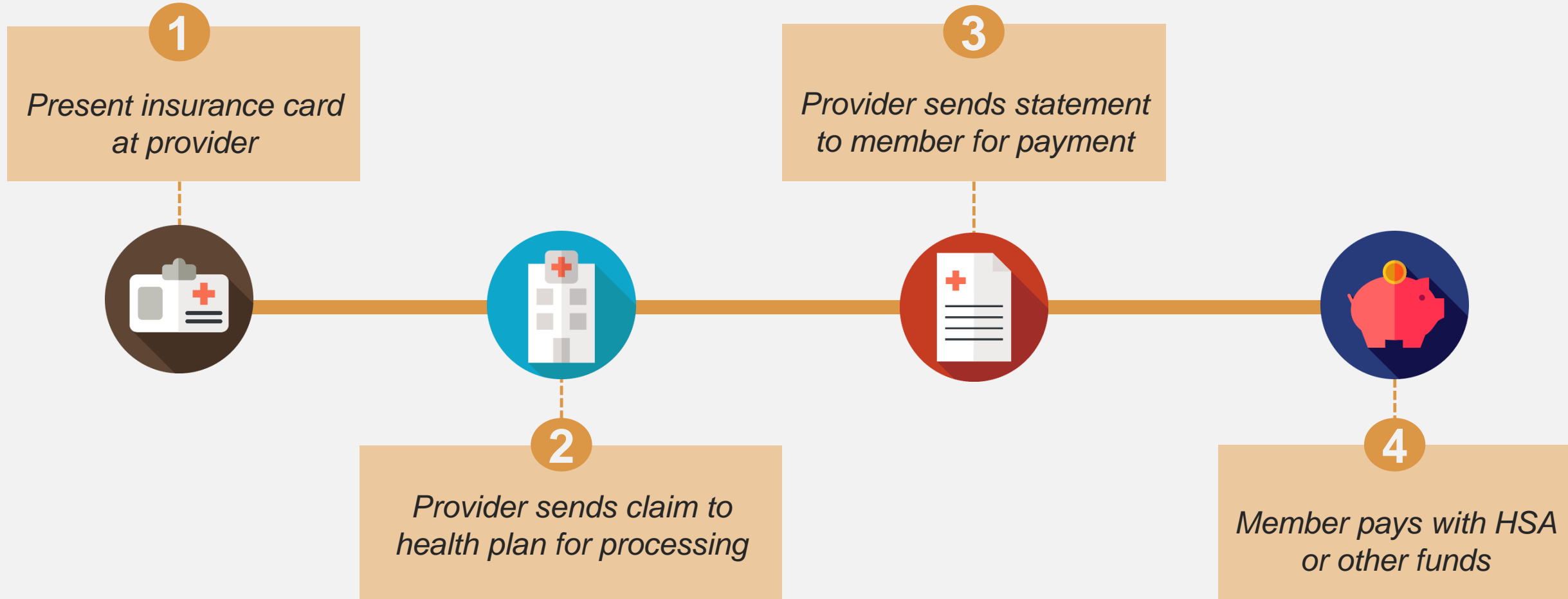


- The IRS has not changed its definition of a HSA dependents to reflect the Affordable Care Act (ACA)
- The ACA allows student dependents on an IYC HDHP to be covered up to age 26
- IRS rules allow eligible student dependent expenses to be covered by HSA up to age 24

# Debit Card Payment Process



# Claims Payment Process



# Eligible Expenses

## HSA 101



# Eligible Expenses

Once a member has contributed money to their HSA, they can use it to pay for eligible medical expenses

Eligible expenses are a health care service, treatment, or item that the IRS states can be paid for without taxes

Members should keep all receipts and pertinent documentation



# Eligible Medical Expenses

Below is a **partial** list of eligible expenses that are reimbursable through an HSA

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Acupuncture</li><li>• Birth control / contraceptive devices</li><li>• Blood pressure monitor</li><li>• Blood sugar test kits</li><li>• Birth classes / Lamaze*</li><li>• Chiropractic therapy</li><li>• Co-payments</li><li>• Crutches*</li><li>• Flu shots</li></ul> | <ul style="list-style-type: none"><li>• Hearing aids and batteries*</li><li>• Infertility treatments</li><li>• Physical exams</li><li>• Physical therapy*</li><li>• Sleep apnea services / products*</li><li>• Surgery</li><li>• Vaccinations</li><li>• X-ray fees</li></ul> |
|---|--|

*\*Restrictions may apply – see the HSA Participant Guide and IRS Publications 502 or 969 for more details*



# Eligible Dental Expenses

Below is **partial** list of eligible expenses that are reimbursable through an HSA

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Cleanings and exams</li><li>• Crowns and bridges</li><li>• Dental plan co-pays</li><li>• Dental surgery</li><li>• Dental x-rays</li><li>• Dentures</li></ul> | <ul style="list-style-type: none"><li>• Diagnostic services</li><li>• Extractions</li><li>• Fillings</li><li>• Occlusal guards</li><li>• Orthodontia</li><li>• Root canals</li></ul> |
|--|--|

- *For more information, see the HSA Participant Guide*
- *For the complete list of eligible and ineligible expenses, see IRS Publications 502 or 969*



# Eligible Vision Expenses

Below is **partial** list of eligible expenses that are reimbursable through an HSA

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Contact lenses and lens solution</li><li>• Diagnostic services</li><li>• Eye exams / surgery</li><li>• Laser eye surgery / LASIK</li><li>• Optometrist / ophthalmologist fees</li></ul> | <ul style="list-style-type: none"><li>• Prescription eyeglasses</li><li>• Prescription sunglasses</li><li>• Seeing eye dog (<i>buying, training, and maintaining</i>)</li><li>• Vision plan co-insurance</li><li>• Vision plan deductible</li></ul> |
|---|---|



- *For more information, see the HSA Participant Guide*
- *For the complete list of eligible and ineligible expenses, see IRS Publications 502 or 969*

# OTC Medicines and Drugs

- Over-the-counter (OTC) medicines and drugs, except for insulin, **require a prescription** from a physician to be reimbursable with an HSA
- The prescription **must** be included with each request for reimbursement
- The plan will **not** pay prescription costs until the deductible is met

- *For more information, see the HSA Participant Guide*

- *For the complete list of eligible and ineligible expenses, see IRS Publications 502 or 969*

## Examples:

- Antihistamines
- Canker/cold sore relievers
- Diaper rash ointments
- First Aid supplies
- Indigestion and anti-acid relievers
- Nicotine patches
- Pain relievers
- Teething gels
- Yeast infection medications

# Ineligible Expenses

Below is **partial** list of ineligible expenses - if an HSA is used for anything other than qualified expenses, the amount will be taxable and a tax penalty may apply

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Advance payment for future medical expenses</li><li>• Childcare</li><li>• Contributions to state disability funds</li><li>• Health club or athletic club membership dues</li></ul> | <ul style="list-style-type: none"><li>• Most insurance premiums*</li><li>• Medicare premiums</li><li>• Over-the-counter medications not prescribed by your doctor</li><li>• Toiletries</li></ul> |
|--|--|

- *For more information, see the HSA Participant Guide*
- *\*For the complete list of eligible and ineligible expenses, see IRS Publications 502 or 969*

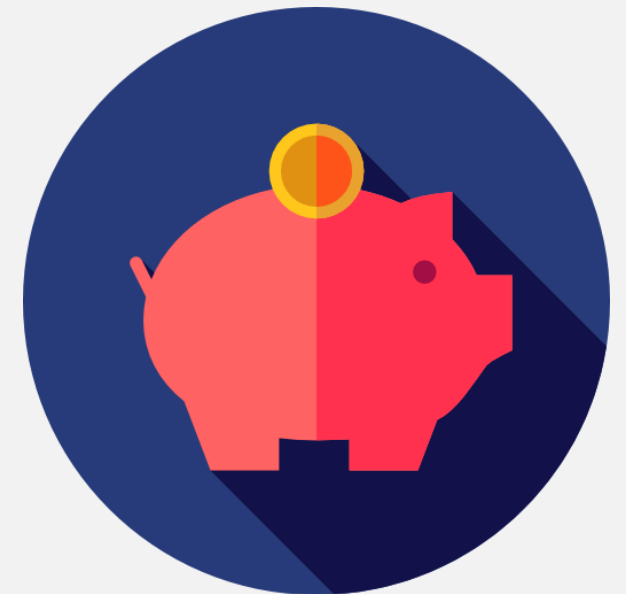


# Participant Responsibilities

The greater control and increased tax benefits provided by an HSA includes the additional responsibility to track, manage, and monitor health care and related expenses

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Maintain qualified IYC HDHP with HSA enrollment</li><li>• Regularly review online account</li><li>• Monitor contributions to prevent exceeding maximum annual limit</li></ul> | <ul style="list-style-type: none"><li>• Keep all receipts and pertinent documentation</li><li>• Submit requests for distribution during the applicable plan year</li><li>• Watch for annual tax forms</li></ul> |
|---|---|

- *For more information, see the HSA Participant Guide*



# HSA Recap



Triple tax savings



Account portability



HSA funds carry over year-to-year



Investment opportunities



# Resources

## HSA 101

# Additional Training



HDHP 101



LPFSA 101

*Webinar Modules Available*

# Customer Service

- Members frequently have questions about their HDHP coverage, HSA and/or LPFSA accounts



*For HDHP questions, members should contact...*

- Their human resources/benefit office
- Their health plan
- ETF Member Services

*For HSA and LPFSA questions, members should contact...*

- TASC Customer Care
  - Phone – 844-786-3947 or 608-316-2408
  - Email – [1customercare@tasconline.com](mailto:1customercare@tasconline.com)

# Employer Assistance

- If a high-level question or issue arises, employers also have resources available to them



*For HDHP questions, employers should contact...*

- The health plan offering the HDHP coverage
- ETF Employer Services

*For HSA and LPFSA questions, employers should contact...*

- TASC Account Managers
  - Email – [stateofwi@tasconline.com](mailto:stateofwi@tasconline.com)

# Resources

- Several new resources are available to members for Plan Year 2018:
- **ETF**
  - 2018 HDHP eLearning
  - Your Plan Design Options eLearning
- **TASC**
  - HSA Slide Rocket
  - LPFSA Slide Rocket



# Resources

|   | IYC 2018 / ETF Website | TASC Landing Page |
|---|------------------------|-------------------|
| Annual It's Your Choice Open Enrollment information | ✓                      | ✗                 |
| HDHP premium rates                                  | ✓                      | ✗                 |
| HSA contributions limits                            | ✓                      | ✓                 |
| Eligible expense information                        | ✓                      | ✓                 |
| Medical and pharmacy comparison charts              | ✓                      | ✗                 |
| TASC Online Account login portal                    | ✗                      | ✓                 |
| HSA / ERA enrollment & welcome brochures            | ✓                      | ✓                 |
| HSA / ERA participant guides                        | ✗                      | ✓                 |
| HSA / ERA forms and worksheets                      | ✗                      | ✓                 |

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# Questions?

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# Thank you

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